

Financials


Source: Refinitiv

Market data

EPIC/TKR	VTA.NA, VTA.LN, VTAS LN
Price (€)	3.84/4.08/357p
12m High (€)	6.74/7.04/642p
12m Low (€)	3.20/3.38/285p
NAV p/sh Aug (€)	6.08
Shares (m)	36.6
Mkt Cap (€m)	140
2020E yield	10.7%
Free Float	70%
Market	AEX, LSE

Description

Volta Finance (Volta) is a closed-ended, limited liability investment company with a diversified investment strategy across structured finance assets (primarily CLOs). It aims to provide a stable stream of income through quarterly dividends.

Company information

Ind. Chairman	Paul Meader
Ind. Non-Executive	Graham Harrison
Directors	Stephen Le Page
Fund Managers	Paul Varotsis
AXA IM Paris	Serge Demay
	A Martin-Min
	François Touati
Co. Sec./Administrator	BNP Paribas Securities
	Services SCA, Guernsey Branch
	BNP: +44 1481 750853
	www.voltafinance.com

Key shareholders

Axa Group	30%
BBVA Madrid & BNP WM	7%
Ironside Partners & Deutsche	6%

Diary

Mid-Nov'20	Oct estimated NAV
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Analyst

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VOLTA FINANCE LIMITED

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In our 15 September note, *Value added by active portfolio management*, we explored how Volta's portfolio positioning had delivered relative resilience amid the COVID-19 crisis. AXA IM selected investments i) whose price reflected a downturn, ii) of recent vintage, and iii) in defensive sectors. Volta marks to market its investments and has suffered from sentiment-driven effects. Annualised received cashflows, now, represent 15% of September NAV, and market conditions have been improving. Volta's recent discount to NAV is anomalous with trends in comparable corporate debt markets despite having the same fundamental exposures.

- ▶ **Volta monthly report:** In September, Volta's NAV rose by 4.8% (YTD -17.3%). CLO debt was up 5.9% and equity tranches up 4.9% (71% of portfolio), bank balance sheet transactions rose 1.4% (12%) and ABS positions fell 9% (technical arrears re French credit moratoria, which should "smooth out" over time).
- ▶ **Peers monthly updates:** Blackstone GSO Loan Financing's € NAV fell 1.63% (mark-to-model, YTD -6%), Fair Oaks Income's \$ NAV rose 7% (one year down 26%), TwentyFour Income Fund's £ NAV rose 2.7% (one year up 2%, significant residential mortgages), and Marblepoint's £ NAV increased 2% (YTD -21%).
- ▶ **Valuation:** Volta trades at a 37% discount to NAV (which is subject to significant external input and oversight). The relative discounts to Fair Oaks and Marblepoint seem anomalous, as, over the long term, Volta has delivered a better NAV performance. Volta aims for 8% NAV distribution (on current discount 10.7% yield).
- ▶ **Risks:** Credit risk is a key sensitivity (Volta has a widely diversified portfolio). We examined the valuation of assets, highlighting the multiple controls to ensure its validity, in our *initiation note*. NAV is affected by sentiment towards its own and underlying markets. Volta's long \$ position is only partially hedged.
- ▶ **Investment summary:** Volta is an investment for sophisticated investors, as both the NAV and the discount to NAV reflect sentiment. This may be expected to normalise over time, and we note that BGLF's model-based approach saw its NAV drop by only a third that of Volta in March 2020. Fundamental long-term returns have been good: pre-COVID-19, ca.11% p.a. (dividend re-invested basis) over five years. Volta's performance relative to its peers has been strong and returns for investments made after the financial crisis were double those in prior years.

Financial summary and valuation (Hardman & Co adjusted basis)

Year-end Jul (€m)	2015	2016	2017	2018	2019	2020E	2021E
Coupons & dividends	33.7	34.7	33.2	38.5	42.0	42.3	28.3
Operating income	46.0	36.5	35.0	37.0	41.0	41.3	27.3
Inv. Manager's fees	-4.5	-4.3	-4.6	-4.6	-4.4	-3.6	-1.5
Adj. perform. fees	-3.5	-1.3	-1.2	-1.3	-2.1	-2.6	-1.5
Total expenses	-1.8	-0.9	-0.8	-0.9	-1.0	-1.0	-1.0
Total comp. income	35.7	29.3	28.0	29.7	32.9	33.6	22.7
Statutory PTP	47.6	12.6	38.7	22.7	7.1	-67.7	86.1
Underlying EPS (€)	0.98	0.80	0.77	0.81	0.90	0.92	0.62
NAV	299	289	306	306	291	208	276
S/P prem./disc. to NAV	-10%	-14%	-11%	-15%	-12%	-32%	-49%
Gearing	9%	12%	12%	14%	12%	0%	0%
Dividend yield	16.1%	16.1%	16.1%	16.1%	16.1%	10.7%	13.3%

Note: 2020 NAV actual but awaiting results for other lines. Source: Hardman & Co Research